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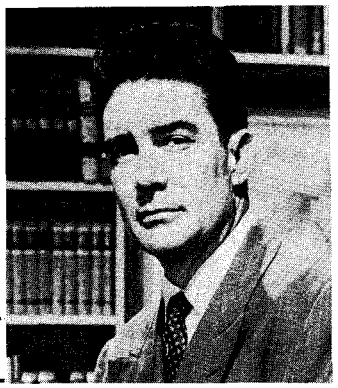

DAN SMOOT

KENNEDY'S TAX PLAN

On January 24, 1963, President Kennedy delivered to Congress his Special Message on Tax Reduction and Reform, proposing tax reductions totaling 13.6 billion dollars. He proposed "reforms" which would, in effect, raise taxes by about 3.3 billion dollars — leaving a net recommended tax reduction of about 10.3 billion dollars.

The stated purpose of the tax reductions is to stimulate our economy by spurring consumer buying, which would result in business expansion, and the creation of new jobs. Yet, the primary tax reduction recommended would do relatively little to cause business expansion and creation of new jobs. Of the 13.6 billion total tax reductions, 11 billion would go to individuals, mostly in low income brackets.

People in low income brackets spend their money on consumer goods, investing relatively little in business enterprise. Corporations and individuals with above-average incomes are the ones who invest capital in business and industry.

Labor Union Logic

As pointed out in this *Report* last week, the President's tax and budget proposals were virtually identical with proposals made a month before in the AFL-CIO magazine, *The American Federationist.*

The AFL-CIO theory is that business fails to expand because consumers do not have enough money to buy, and that the way to stimulate business expansion is to see that consumers have more money to spend. If you give tax reductions for upper-middle and high income taxpayers, they may refuse to spend the tax savings thus given them. But if you give tax reductions to "low and middle-income" taxpayers, they will quickly spend their total tax savings — which will mean an immediate increase in consumer purchasing. The

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AFL-CIO economist estimates that a 10 billion dollar tax reduction given to "low and middle-income" taxpayers would add 20 or 25 billion dollars to national production.

If this theory were followed to its logical conclusion, it would lead to abolition of all income tax on "low and middle-income" taxpayers. If we assume that "low and middle-income" taxpayers are those who earn $10,000 a year or less, we find that this group (based on official estimates)[1] pays 51% of all federal income taxes on individuals.

In the 1962-1963 fiscal year, these "low and middle-income" Americans paid about 25 billion, 143 million dollars[2] in federal income tax (in addition to the estimated 6 billion dollars taken out of their paychecks for social security[3]).

If a tax reduction of 10 billion dollars for this "low and middle-income" group would create at least 20 billion dollars more production, then a tax reduction of 25 billion, 143 million dollars should create at least 50 billion, 286 million dollars more production.

The AFL-CIO economists do not, however, follow the logic of their own theory; and neither does the President, whose tax and budget proposals merely parrot the labor union theorists. For some reason which seems mystic (since no effort has been made to explain it), a tax reduction of *ten billion dollars* (no more, no less) is the magic formula for stimulating business expansion.

Another flaw in the logic of the Kennedy-AFL-CIO ten-billion dollar tax-reduction proposal is that its beneficial results would be largely offset by increased payroll taxes for social security, which the Kennedy-AFL-CIO medical care proposals would require.

The Trickle Up Theory

The Kennedy-labor union "trickle-up" theory concerning business expansion is interesting. The President would give "low and middle-income" taxpayers a reduction of about 10 billion dollars (that is, if we ignore the fact that he will take away much of this tax reduction by increasing their payroll taxes for social security) *for the purpose* of increasing consumer buying. The *purpose* of increasing consumer buying is to increase business profits. The *purpose* of increasing business profits is to give businessmen more money for investment in business expansion.

To logical persons, this seems devious and complicated. If you want businessmen to have more money for investment in expansion, why not relieve *them*, directly, of confiscatory taxation which has been piled on them as an "emergency, war-time" tax ever since 1950?

President Kennedy and his AFL-CIO economists prefer the complicated approach. The AFL-CIO economist (in *The American Federationist* article, outlining tax proposals which President Kennedy made a month later) says:

"Tax cuts for . . . corporations would have much smaller and much slower results. Business is holding back from a considerable increase in outlays for new plants and machines, not because of a lack of funds but due to the considerable amount of idle productive capacity that already exists."

As one businessman, I (whose labor produces more revenue for the federal government than it produces for me) would like to explain to the AFL-CIO economist, and to President Kennedy, that neither I nor any other businessman I have ever known has ever held back on spending money to expand or improve our production facilities because other businessmen had idle facilities. I hold back on spending money to enlarge the operations of my *Dan Smoot Report* publishing business, because government takes so much money away from me in taxes that I do not have the money to spend.

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Corporate Taxes

Taking 52% of a corporation's profits, the United States government harasses and hamstrings business considerably more than the fascist (which means *socialist*, just as *communist* does — fascism and communism being somewhat different approaches toward the total socialist state) regimes of Mussolini and Hitler ever did. The highest tax that Mussolini ever levied on corporations was 40%. The highest that Hitler levied was 44%.[4]

As pointed out in this *Report* last week, President Kennedy's plan to reduce taxes while increasing spending in order to have a "planned deficit" was actually conceived by European economists and bankers (the details worked out by AFL-CIO economists in the United States, and the plan finally presented to Congress by the President). But the President and his advisers ignored the experience of West Germany — which has enjoyed the most phenomenal business and industrial growth in modern history. The West Germans attribute much of their spectacular growth to American foreign aid — but a great deal of it is attributable to their own governmental policies: of rejecting deficit financing; of keeping governmental expenditures to a minimum; of reducing governmental controls over business and industry; of substantial tax reductions and concessions to industries in order to leave them enough of their earned profits for re-investment in expansion.[5]

President Kennedy himself (in his State of the Union Message on January 14, 1963) said that the corporate tax rate of 52%,

". . . gives the Government today a majority interest in profits."[6]

In his Special Message on Tax Reduction and Reform, on January 24, 1963, President Kennedy referred to the 52% corporate tax as giving the federal government

". . . the role . . . as a senior partner in business profits."[7]

In his tax proposals, the President does recommend a reduction of about 2.6 billion dollars in corporate taxes (reducing taxes on corporation profits from 52% to the pre-Korean level of 47%). Note that the President says he wants tax-reduction for *immediate* stimulation of business expansion. Yet, his proposed reduction on corporate taxes would not go into effect until 1965.[7] Moreover, the President recommends an immediate speed-up in the payment of corporation taxes — which would require a doubling up in corporate tax payments in such a way that it would be five years before corporations would have as much left for expansion, after federal income taxes, as they now have.[8]

The Recouping Reforms

The reason for the "speed-up" in corporate tax payments is to regain a portion of the income the government would lose by the proposed 13.6 billion dollars in total tax reductions — in order to get net tax reduction down to the magic ten billion dollar figure.

Another portion of income lost through tax reduction would be regained by the President's proposal to eliminate "credit and exclusion" provisions with regard to income from dividends.

Dividend income (income which individuals get from their investment in stocks of business firms) is subject to double taxation. A corporation pays the federal government a 52% tax on profits. After that tax is paid, some of the remaining profits (if any) are distributed to people who own the business — that is, to stockholders. Stockholders then pay a personal income tax on their share of the corporation profits.

To give partial (and minor) relief from this double-taxation, the income tax laws now exclude from taxation the first $50.00 that a stockholder gets in dividend income. In addition to *excluding* from federal taxation the

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first $50.00 in dividend income, present law allows a credit against federal taxes of 4% of dividend income above $50.00. The President's plan would eliminate these dividend exclusions and credits; and this, of course, would further discourage private investment in business expansion — thus doing the opposite of what the President claims he wants to accomplish with his tax proposals.

One of the President's proposed tax reforms would be a major blow to the American oil industry, and would directly support a sinister operation of the Soviet Union.

As is widely known, the Soviet Union has been using oil as a political-economic weapon throughout the world. Oil exploration and production are, of course, governmental operations in Russia.

So, not controlled by the inexorable law of profit and loss that controls private operations, the Soviets have been dumping oil on the world market — selling it below cost, in order to capture American foreign oil markets and to make oil-importing nations dependent on Soviet supply.

The effect of one Kennedy tax proposal would dovetail with this Soviet oil operation, by virtually eliminating many American oil companies from foreign operations.

At present, American business firms operating both in the United States and in foreign lands can take their foreign losses, if any, from their domestic profits, if any, thus reducing their tax payments to the United States government. This is one indirect means by which our tax laws encourage, if not subsidize, American private investments in foreign countries. The effect is, no doubt, detrimental to the United States, at a time when we need growth of American industry in America — not in foreign lands.

President Kennedy does not, however, propose to change this situation with regard to any industry except oil. He proposes to limit the "tax-offset" which *oil companies* can take when they have losses in their foreign operations. The President's discrimination against the oil industry is even more emphatic in another of his tax proposals which would *completely eliminate* "tax-offset" which American oil companies take on their foreign *development* operations. This provision would not seriously affect one or two American major oil companies which already have *developed* foreign oil properties; but it would practically prohibit new American oil firms from engaging in foreign oil development activities.

The alleged reason for this "tax reform" with regard to foreign operations of American oil firms is (like the "speed-up" in corporate tax payments) to regain a portion of tax revenue to be lost by tax reductions.

The major tax increase to offset loss from tax reductions, however, is to be achieved by restricting individual deductions for local and state taxes, interest payments, and charitable contributions. Although presented as "tax reform," this proposal, according to Douglas Dillon (Kennedy's Secretary of the Treasury) is not a "reform" at all, but a tax increase (a "revenue raiser"), necessary if tax reductions in other areas are to be made.[9]

As mentioned before, the President proposed tax reductions totaling 13.6 billion dollars, but proposed tax increases (which he called "reforms") to recoup 3.3 billion dollars — in order to bring net tax reduction close to 10 billion dollars. The deduction limitation would raise 2.3 billion of the 3.3 billion to be "recouped." This is the most sinister portion of the President's tax plan.

The President's proposed tax-rate reduction would give some benefits to the great American middle class and to upper-income taxpayers; but his deductions-limitation proposal would eliminate most of the benefits. And it would do far more than that: it would strike a severe blow at America's middle-class economic and social system.

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American homeowners are subjected to heavy taxation not imposed on citizens who own no real estate. It is real estate owners who generally pay most city and county taxes that finance schools, police, fire departments, street building and maintenance, and so on.

Moreover, homeowners (with the deepest roots and heaviest investments in their community) are the ones who, with their gifts, support churches, charities, and other local programs of public benefaction.

Under present law, individuals can deduct from their income, for federal tax purposes, the state and local taxes they pay, the legitimate contributions they make, and the interest they pay on their home mortgages and on other mortgages and loans.

Kennedy's tax proposal would limit such itemized deductions to 5% of adjusted gross income — and also place further limitations on the amount an individual can deduct for medical expenses.

The proposal would discourage home ownership and private support of churches and of charitable and educational institutions. It would thus create a demand for more federal public housing, more federal welfare programs, more federal aid to education. The penalties against persons who pay their own medical bills would, probably, increase public support for Kennedy's plans for socialized medicine.

There are other Kennedy tax proposals which seem designed specifically to penalize private efforts to provide financial security for individuals, and, thus, to stimulate demand for governmental programs. One example:

At present, employees pay no income tax on the value of, or benefits from, group term life insurance which is given to them by employers. Kennedy proposes to make them pay tax on such insurance, as if it were income.

Space prohibits an item-by-item analysis of all objectionable proposals in the President's tax plan. I have mentioned only a few.

Heads He Wins, Tails We Lose

In his Tax Reduction and Reform Message, the President emphasized that "the entire tax revision program should be promptly enacted as a single comprehensive bill," that "Tax reduction and structural reform should be considered and enacted as a single integrated program." As United States Representative Frank J. Becker said, the President sent his tax proposals to Congress,

". . . with a flat warning that he must have an all-or-nothing package of tax cuts and tax reforms."(4)

On February 6, 1963, Douglas Dillon (Kennedy's Secretary of the Treasury), testifying before the House Ways and Means Committee on Kennedy's tax proposals, said that unless the tax-cut tax-reform proposal was adopted in a package, he would recommend a Presidential veto.(4)

On February 25, 1963, the President told the American Bankers Association he would be satisfied with a tax cut alone.

There have been many guesses about the President's change of mind. My guess is that he did not change his mind.

Kennedy's record indicates that his education at the feet of the British socialist leader, Harold Laski, went deep — convinced him of the virtue of socialism. Hence, Kennedy wants to finish the conversion of America into a total socialist state. To achieve this, he must eliminate (or cripple) the great American middle class, which is the backbone of our system of private capitalism.

There are many ways to do this: increase governmental business and industrial operations in competition with private citizens; harass private business with controls and regulations; burden it with taxation; support monopolistic unionism's stranglehold on private business; and so on.

A more subtle way to eliminate the American middle class, and thus destroy our system of private capitalism, is to subvert our money

Error in 19th line. See correction on page 112

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economy. This can be done by deficit financing (the government spending more than it takes in), with consequent inflation and flight of our monetary reserve to foreign nations, until our money is worthless. At that point, the last remnant of America as a free-enterprise, capitalistic nation will be gone.

Kennedy's tax plan in 1963 will take us in the direction Kennedy desires — with or without his proposed reforms. If Congress approves the reforms, it will weaken the great American middle class through tax harassment and discrimination. If Congress approves the reductions without the reforms, it will increase the deficit — which means further speed toward elimination of the middle class by destruction of our money economy.

By presenting his tax plan as he did (giving Congress repeated warnings against tampering with it), Kennedy leaves himself an alibi if disastrous consequences become too readily apparent: Congress is at fault for not doing exactly what he originally asked. If, on the other hand, Congress should give the President exactly what he asked, he would have what he wants: a double-edged attack on the American middle class — harassing them with tax-discrimination, while, at the same time, inflating their currency toward the goal of worthlessness.

The only way for Kennedy to lose is for Congress to reject his entire tax plan and to enact one of its own.

A Proposal

Congress should take steps to abolish the federal income tax system.

That is the tax proposal I would make. Next week, I shall give details.

Betancourt, Jimenez, Drew Pearson, and the Monitor

In the February 18, 1963, issue of this *Report* — "Alliance For Progress — Part I" — I gave a brief of information which shows that Romulo Betancourt, President of Venezuela, is a communist, and that his present "anti-communist" posture is a hoax.

On February 19, 1963, Betancourt arrived in the United States for a visit. President Kennedy heaped public praise on him as a great statesman, and the liberal press of America (generally, the same publications which were idolizing Castro four years ago) hailed Betancourt as a foe of communism, and a great good friend of the United States.

Anyone interested in the truth about Betancourt should examine the evidence which five United States Representatives have put in the *Congressional Record*. [10]

These men give detailed, documented information about Betancourt's communism, and about his corrupt and tyrannical regime.

On the other hand, liberal adulation of Betancourt presents broad generalities. A great deal of it is patently dishonest.

For example, Drew Pearson, in his syndicated column (published in *Detroit Free Press*, and elsewhere, February 23, 1963) took up the cudgels for Betancourt — denouncing the few of us who criticized Betancourt as "John Birchites" and "Dan Smoot right-wingers." Pearson said:

"[Betancourt] wants continued exports of Venezuelan oil to the United States. This may be one fact behind Dan Smoot's bitter attacks against Betancourt, for Smoot, who operates from Dallas, receives financial contributions from the Texas oil crowd."

Drew Pearson is a liar. The purpose of his lie, in this instance, is to discredit what I said about Betancourt, by implying that I am a hired propagandist for Texas oil men.

I receive no financial contributions from Texas oil men. The only people who support me are my customers — individuals who buy my publication, and business firms which commercially sponsor my broadcasts for advertising purposes. I have no oil company sponsors — although I wish I did have some.

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Inasmuch as *The Dan Smoot Report* has subscribers in all 50 states and in a dozen or more foreign countries, it is likely that a few oil men do subscribe — in the same way that they subscribe to the papers which carry Drew Pearson's column. If so, I wish they would help me get subscriptions from other oil men, because I welcome all I can get.

In my *Report* of February 18, 1963, I also commented on Marcos Perez Jimenez, who led a military uprising against Betancourt's first regime in Venezuela, in 1948, and who ruled Venezuela until Betancourt's return to power in 1958. I said:

"Jimenez (who had given Venezuela the best government and had brought the nation to the highest level of prosperity in its history) was exiled. He sought asylum in the United States. Betancourt wants him returned to Venezuela so that he can be executed. He has filed outrageous charges against Jimenez, who is now in a Miami jail awaiting extradition. The American State Department and the powerful leftwing propaganda forces in the United States (including, for example, such 'respected' organs as *The Christian Science Monitor)* have for months been conducting a massive hate-campaign against Jimenez, preparing public opinion for denying him asylum so that he can be turned over to Betancourt for liquidation.

"In 1961, the law firm of Dean Acheson (who is a Special Adviser to President Kennedy) received $180,000 from Betancourt's government as a fee for representing Venezuela in the extradition proceedings against Jimenez.

"Meanwhile, Betancourt's regime in Venezuela has become a cesspool of corruption and tyranny. Despite Venezuela's enormous natural riches (and despite the hundreds of millions of dollars which Betancourt has obtained from the United States), grinding poverty, economic chaos, and wild disorder reign in Venezuela.

"The reported 'communist' sabotage in Venezuela, and Betancourt's alleged 'crackdown' on communists, are merely part of a hoax—to justify Betancourt's seizure of absolute power, and to help the Kennedy Administration justify more aid."

As a result of my mention of *The Christian Science Monitor,* I received a letter from Mr. Erwin D. Canham, Editor of the *Monitor,* saying:

"The name of Perez Jimenez has only appeared in our columns once between May 2, 1960 and the date of your report, and then it was in the account of a press conference held in Venezuela. The May 2, 1960 mention was in a piece of Associated Press copy from Venezuela in which one reference to Mr. Jimenez was incidental, and the other favorable to him.

"We would appreciate a correction in the 'Dan Smoot Report.' "

My specific mention of the *Monitor* (in my *Report* of February 18, 1963) was prompted by a letter, dated January 24, 1963, on the letterhead of *The Christian Science Monitor,* written by Erwin D. Canham, in his capacity as editor. In this letter Mr. Canham said:

"Let me add a word further about your observation that Betancourt is a 'communist sympathizer.' I had the opportunity yesterday in New York to talk with a top ranking businessman who is thoroughly informed about Central American affairs. He recounted to me in detail the ways in which the communists attack Betancourt and are trying to destroy him. Indeed, in this business leader's view there are 'few more fierce opponents of communism in Latin America than President Betancourt.'

"I happen to know on additional unimpeachable authority that the communists are doing their utmost to destroy Betancourt. He is certainly not one of our 'communist enemies.'

"It seems to me we make a tragic mistake when we equate communism with the many more liberal leaders in Latin America who have virtually the only chance of stemming communist tides or in defending corrupt leaders guilty of such crimes as Perez Jimenez."

Note that Mr. Canham's evidence concerning Betancourt's being an opponent of communism is unspecified, and it comes from an unnamed New York businessman. His evidence that communists dislike Betancourt

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is also unspecified and also comes from this unnamed source and from one other unnamed "unimpeachable authority."

Mr. Canham's conclusion that Betancourt is certainly not one of our communist enemies apparently is based on this unspecified information from two unnamed sources.

Perez Jimenez is still in a Miami jail (and is being denied a writ of habeas corpus, in violation of the Constitution of the United States). He has never been brought to trial for the crimes which communist Betancourt alleges against him. Note, however, that Mr. Canham of *The Christian Science Monitor* asserts (without even mentioning evidence) that Jimenez is "guilty of such crimes."

In this connection, it is interesting to note that, in 1954, President Eisenhower welcomed Perez Jimenez to this country as a visitor of state. On November 12, 1954, President Eisenhower decorated Jimenez with the Order of Merit, acclaiming Jimenez as a ruler who had shown "an outstanding spirit of mutual aid and friendship for the United States."

FOOTNOTES

(1) "Preliminary Report on Individual Income Tax Returns for 1956," press release of the Internal Revenue Service, August 28, 1958

(2) Estimates based on "Text of President Kennedy's Jan. 18 Budget Message," *Congressional Quarterly Weekly Report,* January 19, 1962, p. 74

(3) Estimates based on article in *U.S. News & World Report,* January 29, 1962, p. 36

(4) *Congressional Record,* March 4, 1963, remarks of U.S. Representative Frank J. Becker (Republican, New York), pp. 3213 ff.

(5) *EEC,* The European Common Market Newsletter, December 12, 1962, p. 246; and *Congressional Record,* March 4, 1963, remarks of U.S. Representative Thomas B. Curtis (Republican, Missouri), pp. A1130 ff.

(6) *Congressional Quarterly Weekly Report,* January 18, 1963, p. 59

(7) *Congressional Quarterly Weekly Report,* January 25, 1963, p. 92

(8) *Congressional Record,* January 28, 1963, remarks of U. S. Representative J. Arthur Younger (Republican, California), p. A311

(9) "Administration Tax Proposal Hearings Open," *Congressional Quarterly Weekly Report,* February 15, 1963, p. 197

(10) Remarks of former United States Representative John Rousselot (Republican, California) in the *Congressional Record* of September 23, 1961 (pp. 19674 ff.), February 26, 1962 (pp. 2703 ff.), and July 11, 1962 (pp. 12288 ff.); the remarks of United States Representative William C. Cramer (Republican, Florida) in the *Congressional Record* of October 13, 1962 (pp. A7702 ff.), and February 7, 1963 (pp. 1870 ff.); the remarks of United States Representative Henry C. Schadeberg (Republican, Wisconsin) in the *Congressional Record* of February 18, 1963 (pp. 2335 ff.); the remarks of United States Representative John M. Ashbrook (Republican, Ohio) in the *Congressional Record* of February 21, 1963 (pp. 2548 ff.); and the remarks of United States Representative R. Walter Riehlman (Republican, New York) in the *Congressional Record* of February 25, 1963 (pp. 2810 ff.)

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WHO IS DAN SMOOT?

Dan Smoot was born in Missouri. Reared in Texas, he attended SMU in Dallas, taking BA and MA degrees from that university in 1938 and 1940.

In 1941, he joined the faculty at Harvard as a Teaching Fellow in English, doing graduate work for the degree of Doctor of Philosophy in the field of American Civilization.

In 1942, he took leave of absence from Harvard in order to join the FBI. At the close of the war, he stayed in the FBI, rather than return to Harvard.

He worked as an FBI Agent in all parts of the nation, handling all kinds of assignments. But for three and a half years, he worked exclusively on communist investigations in the industrial midwest. For two years following that, he was on FBI headquarters staff in Washington, as an Administrative Assistant to J. Edgar Hoover.

After nine and a half years in the FBI, Smoot resigned to help start the Facts Forum movement in Dallas. As the radio and television commentator for Facts Forum, Smoot, for almost four years spoke to a national audience giving both sides of great controversial issues.

In July, 1955, he resigned and started his own independent program, in order to give only one side — the side that uses fundamental American principles as a yardstick for measuring all important issues.

If you believe that Dan Smoot is providing effective tools for those who want to think and talk and write on the side of freedom, you can help immensely by subscribing, and encouraging others to subscribe, to *The Dan Smoot Report.*

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